

Introduced by Senator Rainey

February 26, 1999

Senate Constitutional Amendment No. 6—A resolution to propose to the people of the State of California an amendment to the Constitution of the State, by amending Section 15 of Article XI thereof, by amending Sections 24 and 29 of Article XIII thereof, by amending subdivision (a) of Section 1 of, and adding Section 1.5 to, Article XIII A thereof, by amending Section 6 of Article XIII B thereof, and by adding Section 20 to Article XVI thereof, relating to local government finance.

LEGISLATIVE COUNSEL'S DIGEST

SCA 6, as introduced, Rainey. Local government finance: authority and accountability.

(1) The California Constitution requires that revenues derived from taxes imposed pursuant to the Vehicle License Fee Law or its successor be allocated to counties and cities in the manner provided by statute.

This measure would modify this allocation requirement to instead require that these revenues be allocated to counties and cities in the manner prescribed by a specified statute as that statute read on January 1, 1998. This measure would, as provided, also require the state to reimburse cities and counties for any reductions in vehicle license fee revenue allocations resulting from an amendment or repeal of the Vehicle License Fee Law, as that law existed on January 1, 1998.

(2) The California Constitution prohibits the Legislature from imposing a tax for a local purpose but authorizes the Legislature to allow local governments to impose taxes.

This measure, entitled the Taxpayer Right to Know and Government Accountability Act, would also prohibit the Legislature from directing the allocation of revenue that is derived from a local general or special tax.

(3) The California Constitution authorizes the Legislature to allow local agencies to enter into contracts to apportion between them the revenues derived from any local sales or use tax that is collected by the state on their behalf.

This measure would delete authorization by the Legislature as a condition to a sales or use tax revenue apportionment contract among local agencies.

Existing statutory law, set forth in the Bradley-Burns Uniform Local Sales and Use Tax Law and the Transactions and Use Tax Law and related statutes, permits cities, counties, and cities and counties to impose local sales or transaction and use taxes.

This measure would, as provided, establish as a constitutional entitlement the local taxing authority of cities, counties, and cities and counties existing under specified statutes as of the effective date of this measure.

(4) The California Constitution requires ad valorem property tax revenues to be collected by the counties and allocated among the local jurisdictions within each county as provided by law.

This measure would require, subject to specified exceptions, beginning in the 2000–01 fiscal year, that ad valorem property tax revenues be apportioned to cities, counties, and special districts according to the law in effect on the operative date of this measure. The measure would also prohibit the Legislature from modifying the proportionate share of ad valorem property tax revenue that is allocated to cities, counties, and special districts pursuant to this requirement.

(5) The California Constitution generally requires the state to reimburse local governments for the costs of a new program or increased level of service mandated by the state.

This measure would state the intent of this requirement.



(6) The California Constitution does not establish any requirements with respect to the accountability of local governments to their constituents with respect to fiscal matters.

This measure would, except as otherwise provided with respect to a special district controlled by a city or county, require each local government to (a) design and conduct, in connection with each budget period, a process that provides the public with the opportunity to provide input into the development of public service goals and expenditure priorities for that budget period, (b) after the close of each budget period, issue a written report on its compliance with its public service goals and spending priorities for that period, and (c) undergo a locally designed financial audit upon the conclusion of each budget period and present the results of that audit at a public meeting.

Vote: $\frac{2}{3}$. Appropriation: no. Fiscal committee: yes. State-mandated local program: no.

1 *Resolved by the Senate, the Assembly concurring, That*
2 the Legislature of the State of California at its 1999–2000
3 Regular Session commencing on the seventh day of
4 December 1998, two-thirds of the membership of each
5 house concurring, hereby proposes to the people of the
6 State of California that the Constitution of the State be
7 amended as follows:

8 First—That the people of the State of California find
9 and declare all of the following:

10 (a) The California Constitution emphasizes the
11 importance of local control of local government fiscal
12 decisions. Articles XIII C and XIII D of the California
13 Constitution give taxpayers a greater role in determining
14 whether local taxes for local programs should be imposed,
15 increased, reduced, or terminated.

16 (b) However, in recent years, the State has diverted
17 locally collected property tax revenues from cities,
18 counties, and special districts in order to resolve its own
19 budgetary difficulties. The State should not be allowed to
20 frustrate the intent of local jurisdictions and their citizens

1 by appropriating locally assessed and collected revenues
2 for state purposes.

3 (c) It is the intent of this measure to ensure that locally
4 collected revenues are available to fund essential city,
5 county, and special district services and that local
6 governments are held accountable for the expenditure of
7 those revenues, thereby increasing and enhancing the
8 fiscal autonomy and responsibility of local governmental
9 entities.

10 (d) Fiscal autonomy for cities, counties, and special
11 districts can be achieved in a manner that does not reduce
12 funding for schools.

13 (e) It is the further intent of this measure to
14 strengthen and clarify the requirement set forth in the
15 California Constitution that the State reimburse local
16 governments when it mandates a new program or a
17 higher level of service.

18 (f) This measure shall be known and may be cited as
19 the Taxpayer Right to Know and Governmental
20 Accountability Act.

21 Second—That Section 15 of Article XI thereof is
22 amended to read:

23 SEC. 15. (a) All revenues from taxes imposed
24 pursuant to the Vehicle License Fee Law (*Part 5*
25 *commencing with Section 10701*) of *Division 2 of the*
26 *Revenue and Taxation Code*), or its successor, other than
27 fees on trailer coaches and mobilehomes, over and above
28 the costs of collection and any refunds authorized by law,
29 shall be allocated to counties and cities—~~according to~~
30 ~~statute.~~

31 ~~(b) This section shall apply to those taxes imposed~~
32 ~~pursuant to that law on and after July 1 following the~~
33 ~~approval of this section by the voters. in the manner~~
34 ~~prescribed by Section 11005 of the Revenue and Taxation~~
35 ~~Code as that section read on January 1, 1998.~~

36 (b) (1) Commencing with the first month beginning
37 after the effective date of this section, the Director of
38 Finance shall for each month calculate the difference by
39 which the amount computed pursuant to subparagraph

1 (A) exceeds the amount computed pursuant to
2 subparagraph (B), as follows:

3 (A) The amount of revenue that became due and
4 payable under the Vehicle License Fee Law (Part 5
5 (commencing with Section 10701) of Division 2 of the
6 Revenue and Taxation Code) during that same month in
7 1998, as annually adjusted for inflation, in accordance
8 with the California Consumer Price Index, and for
9 changes in state population, as indicated by the most
10 recent official estimate or determination of the state's
11 population made by either an entity of state government
12 or pursuant to the federal decennial census.

13 (B) The amount of revenue, if any, that becomes due
14 and payable for the current month under the Vehicle
15 License Fee Law (Part 5 (commencing with Section
16 10701) of Division 2 of the Revenue and Taxation Code)
17 or any successor to that law.

18 (2) The Director of Finance shall notify the Controller
19 of the amount of each difference calculated pursuant to
20 paragraph (1). The Controller thereupon shall do
21 whichever of the following is applicable:

22 (A) If the Vehicle License Fee Law (Part 5
23 (commencing with Section 10701) of Division 2 of the
24 Revenue and Taxation Code) has been repealed and
25 there is no successor to that law, apportion a sum equal to
26 the amount of the difference from the General Fund of
27 the State to the cities, counties, and cities and counties in
28 accordance with each entity's proportionate share of the
29 total amount of vehicle license fees allocated to cities,
30 counties, and cities and counties for the last calendar year
31 for which a vehicle license fee was imposed.

32 (B) If subparagraph (A) does not apply, transfer a sum
33 equal to that amount of the difference from the General
34 Fund of the State to the Motor Vehicle License Fee
35 Account in the Transportation Tax Fund, or the successor
36 to that account, for apportionment in accordance with
37 statute.

38 Third—That Section 24 of Article XIII thereof is
39 amended to read:

1 SEC. 24. (a) The Legislature may not impose taxes
2 for local purposes but may authorize local governments
3 to impose them.

4 Money appropriated from state funds to a local
5 government for its local purposes may be used as
6 provided by law.

7 Money subvned to a local government under Section
8 25 may be used for state or local purposes.

9 (b) *The Legislature may not direct the allocation of*
10 *the revenues raised by a local general or special tax.*

11 Fourth—That Section 29 of Article XIII thereof is
12 amended to read:

13 SEC. 29. (a) The ~~Legislature may authorize counties~~
14 *authority of a city, county, or city and county, as of the*
15 *effective date of the Taxpayer Right to Know and*
16 *Government Accountability Act, to impose a sales and use*
17 *tax pursuant to the Bradley-Burns Uniform Local Sales*
18 *and Use Tax Law (Part 1.5 (commencing with Section*
19 *7200) of Division 2 of the Revenue and Taxation Code)*
20 *and to impose a tax in accordance with the Transactions*
21 *and Use Tax Law (Part 1.6 (commencing with Section*
22 *7251) of Division 2 of the Revenue and Taxation Code) is,*
23 *subject to the exemptions described in subdivision (c),*
24 *hereby vested in that city, county, or city and county to*
25 *the extent that authority applied on that date under those*
26 *statutes.*

27 (b) *The Legislature may not direct the allocation of*
28 *revenues derived from any sales or transactions and use*
29 *tax imposed by any city, county, or city and county*
30 *pursuant to the authority vested by subdivision (a).*

31 (c) *The exemptions from tax established by the*
32 *Legislature in the Sales and Use Tax Law (Part 1*
33 *(commencing with Section 6000) of Division 2 of the*
34 *Revenue and Taxation Code) apply to any tax imposed by*
35 *a city, county, or city and county pursuant to the authority*
36 *vested by subdivision (a). Any exemption from a tax*
37 *imposed pursuant to the Bradley-Burns Uniform Local*
38 *Sales and Use Tax Law (Part 1.5 (commencing with*
39 *Section 7200) of Division 2 of the Revenue and Taxation*
40 *Code), or from a tax imposed in accordance with the*



1 *Transactions and Use Tax Law (Part 1.6 (commencing*
2 *with Section 7251) of Division 2 of the Revenue and*
3 *Taxation Code), shall be inoperative unless an identical*
4 *exemption is operative for purposes of the Sales and Use*
5 *Tax Law (Part 1 (commencing with Section 6000) of*
6 *Division 2 of the Revenue and Taxation Code).*

7 (d) (1) *Counties, cities and counties, and cities to may*
8 *enter into contracts to apportion between them the*
9 *revenue derived from any sales or use tax imposed by*
10 *them that is collected for them by the State. Before the*
11 *any contract for that purpose becomes operative, it shall*
12 *be authorized by a majority of those voting on the*
13 *question in each jurisdiction at a general or direct*
14 *primary election that is a party to that contract.*

15 ~~(b)~~

16 (2) Notwithstanding subdivision (a), on and after the
17 operative date of this subdivision, *cities, counties, and*
18 *cities and counties, and cities* may enter into contracts to
19 apportion between them the revenue derived from any
20 sales or use tax imposed by them pursuant to the
21 Bradley-Burns Uniform Local Sales and Use Tax Law, or
22 any successor provisions, that is collected for them by the
23 State, if the ordinance or resolution proposing each
24 contract is approved by a two-thirds vote of the governing
25 body of each jurisdiction that is a party to the contract.

26 Fifth—That subdivision (a) of Section 1 of Article XIII
27 A thereof is amended to read:

28 (a) The maximum amount of any ad valorem tax on
29 real property shall not exceed ~~One 1~~ percent ~~(1%)~~ of the
30 full cash value of ~~such~~ *that real* property. ~~The one percent~~
31 ~~(1%) tax to~~ *That tax shall* be collected by the ~~counties~~
32 *county* and apportioned ~~according to law to the districts~~
33 ~~within the counties in accordance with Section 1.5.~~

34 Sixth—That Section 1.5 is added to Article XIII A
35 thereof, to read:

36 SEC. 1.5. (a) Except as provided in subdivision (b),
37 in the 2000–01 fiscal year and each fiscal year thereafter,
38 the revenue from the ad valorem tax on real property
39 shall be apportioned to cities, counties, and special
40 districts in accordance with the law in effect on the date

1 the Taxpayer Right to Know and Government
2 Accountability Act becomes operative.

3 (b) The proportionate share of the property tax
4 received by cities, counties, and special districts as
5 provided in subdivision (a) may be modified in
6 accordance with either of the following:

7 (1) A local determination made as part of a change of
8 organization, including an incorporation, annexation,
9 detachment, consolidation, disincorporation, or
10 dissolution.

11 (2) Section 16 of Article XVI.

12 (c) The Legislature may not modify the proportionate
13 share of property tax revenues apportioned to cities,
14 counties, or special districts.

15 (d) This section does not preclude a locally
16 determined modification of the proportionate share of
17 the property tax in accordance with a modification of
18 service responsibility.

19 (e) For purposes of this section, “special district” does
20 not include a school district, community college district,
21 or county office of education.

22 Seventh—That Section 6 of Article XIII B thereof is
23 amended to read:

24 SEC. 6. (a) Whenever the Legislature or any state
25 agency mandates a new program or higher level of
26 service on any local government, the State shall provide
27 a subvention of funds to reimburse ~~such~~ *that* local
28 government for the costs of ~~such~~ *the* program or
29 increased level of service, except that the Legislature
30 may, but need not, provide ~~such~~ *a* subvention of funds for
31 the following mandates:

32 ~~(a)–~~

33 (1) Legislative mandates requested by the local
34 agency ~~affected~~;

35 ~~(b)–affected.~~

36 (2) Legislation defining a new crime or changing an
37 existing definition of a ~~crime~~; or

38 ~~(c)–crime.~~

(3) Legislative mandates enacted prior to January 1, 1975, or executive orders or regulations initially implementing legislation enacted prior to January 1, 1975.

(b) It is the intent of this section, in light of the restrictions imposed by Article XIII A, this article, Article XIII C, and Article XIII D upon the fiscal authority of local governments, to prohibit the State from shifting responsibility for public programs and services to local governments without providing full and timely reimbursement for the additional costs incurred by local governments in providing those programs and services. This section shall be construed to fulfill this intent, in order to ensure that local revenues are available, without interference from the State, to finance local programs and services, and that the State finances state-imposed programs and services with its own funds.

Eighth—That Section 20 is added to Article XVI thereof, to read:

SEC. 20. (a) In conjunction with each adoption of a budget, each local government, as defined in Section 1 of Article XIII C, shall do all of the following:

(1) Design and conduct a process that provides the public with the opportunity to provide input into the development of public service goals and spending priorities for the period to which that budget applies, and results in a written report of those public service goals and spending priorities.

(2) After the close of each budget period, issue a written report that describes both of the following:

(A) How its provision of services achieved the public service goals during that period, noting any deviations and the reasons therefor.

(B) How its expenditures during that period conformed to its spending priorities for that period, noting any deviations and the reasons therefor.

(3) Undergo a locally designed financial audit upon the conclusion of each budget period, and present the findings of that audit at a public meeting.

(b) In the case of a special district, the governing body of which has the same membership as the governing body

1 of a city or county, or the budget of which is included
2 within the budget of a city or county, compliance with
3 that subdivision by the relevant city or county shall
4 constitute compliance with that subdivision on the part
5 of that special district.

6 (c) (1) This section does not supersede, preempt, or
7 otherwise modify either of the following:

8 (A) The budget and fiscal provisions of a city or county
9 charter adopted under the authority of this Constitution.

10 (B) Section 3 of Article XIII C.

11 (2) The purpose of this section is to enhance the ability
12 of local taxpayers to hold their elected or appointed local
13 officials accountable with respect to the collection and
14 expenditure of local revenues. All reports and
15 information that are issued by a local government
16 pursuant to this section are public records, open for
17 public inspection.

18 Ninth—That the amendments made by this measure to
19 Section 1 of Article XIII A of the California Constitution,
20 and the addition by this measure of Section 1.5 to Article
21 XIII A of the California Constitution, shall apply
22 commencing with the 2000-01 fiscal year.

23 Tenth—That this measure shall be liberally construed
24 to effect its purposes of enhancing local fiscal
25 self-determination and reducing the influence of the
26 State in local fiscal affairs.

27 Eleventh—That the provisions of this measure are
28 severable. If any provision of this measure or its
29 application is held invalid, that invalidity shall not affect
30 any other provisions or applications of this measure that
31 can be given effect without the invalid provision or
32 application. In the event that a conflicting provision of a
33 different ballot measure, approved by a greater number
34 of voters, is later held to be invalid, it is the intent of the
35 people of the State of California that those provisions of
36 this measure that are in conflict with that invalid
37 provision be reinstated and given full force and effect.

38

